

Transforming Government into a 21st Century Institution

Redesigning

Ohio

Update : December 2012

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Introduction

OUR ORGANIZATION AND OUR PURPOSE

The Metro Chambers of Commerce of Ohio and the Ohio Chamber of Commerce came together as an organization about six years ago to provide effective advocacy for business interests in Ohio and for our metropolitan areas. The group is committed to working with federal, state and local leaders to spur job growth and prosperity for the state of Ohio through an improved business climate.

Members of the group are the CEOs of the Greater Akron Chamber, Canton Regional Chamber of Commerce, Cincinnati USA Regional Chamber, Greater Cleveland Partnership, Columbus Chamber, Dayton Area Chamber of Commerce, Toledo Regional Chamber of Commerce, Youngstown/Warren Regional Chamber and Ohio Chamber of Commerce.



Redesigning Ohio

In December 2010, we published *Redesigning Ohio: Transforming Government into a 21st Century Institution*. Our report was the result of a year-long project that engaged our members, civic leaders, and industry experts to make recommendations regarding Ohio's 2012-2013 budget and its projected \$6 billion to \$8 billion deficit and the need for state and local government to be more effective and efficient. We recognized that there was no easy or quick solution to the state's fiscal and structural problems, but strongly advocated that major change was needed and, most significantly, that Ohio residents should be receiving more value for their state and local tax dollars.

Our work was intended to challenge the status quo and the decades-old way of doing business – in good times and bad. Our recommendations were based on common sense, not ideology.

WHERE WE ARE

Two years later, we are pleased to provide this status report.

When our *Redesigning Ohio* recommendations were announced nearly two years ago, Ohio's eight metropolitan chambers of commerce and the Ohio Chamber of Commerce had two goals in mind. One, to offer a road map for long-term, transformational change, and two, to provide meaningful recommendations for tackling the state's fiscal crisis.

We made the case that this was a critical period in the history of the state of Ohio and time to think boldly. We suggested changes that would transform our state government to one that is sustainable and provide greater value to our citizens. We still maintain that the theme of getting more for less was the best response to our fiscal crisis in 2011 and continues to be a necessary step toward building a strong state economy that can compete in the 21st Century.

We are happy to report that significant progress has been made in several key areas of our work. We are gratified by the acceptance and support shown by Governor Kasich, the General Assembly and colleagues throughout Ohio. In fact, Ohio's operating budget for 2012-2013 and other legislation enacted in the last two years included changes that reflect many of our recommendations.

What's particularly striking is that while we had basically hoped for changes that would save the state money and prevent income tax increases because of the looming deficit, actions by Governor Kasich and the General Assembly are creating efficiencies and savings that could result in the further lowering of state taxes.

We believe that state government is becoming more flexible, adaptable and innovative and continues to search for new ways to improve services and heighten productivity.

We are particularly pleased that Governor Kasich and leaders of the General Assembly supported significant reforms in the areas of government regulations, local government shared services and cost cutting, Medicaid healthcare costs, criminal justice, public pensions, job development and such controversial items as linking employee compensation to performance.

To be sure, some of our recommendations were not adopted, but the spirit of those suggested changes seems to permeate throughout state government these days and that is most gratifying and promising for the future.

At this critical point, as the state begins work on another biennial budget in 2013, we will continue to advocate for and build on the recommendations in our initial report, especially those that can spur the most important priority for Ohio – job growth through an improving business climate that includes continuing progress in state and local government efficiencies that will prevent the need for tax increases.

The Metro Chambers and Ohio Chamber stand ready to work with elected officials at every level of government to ensure that change continues. As we pointed out when *Redesigning Ohio* was published, these are practical approaches to problems that demand new solutions.

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Redesigning Ohio Update: A Situation Analysis

2010-2012 OHIO PROFILE: A BETTER BOTTOM LINE

- In 2010, Ohio was facing huge job losses and a projected \$6 billion to \$8 billion FY 2012-2013 state budget deficit. This funding gap could have resulted in a combination of big budget cuts and tax increases.
- In 2012, Ohio has a stable, balanced state budget that encourages more efficient and effective government, adequately funds essential public services and has done so without raising taxes.
- From 2010 to 2012, the Ohio economic picture improved markedly. For instance, Ohio unemployment decreased from 9.2 percent in December 2010 to 6.9 percent in August 2012.
- More than 127,600 jobs have been created since January 2011 (Jobs Ohio).

POSITIVE TREND LINES

In December 2010, the Ohio Chamber of Commerce and the eight Ohio-based metropolitan chambers of commerce released *Redesigning Ohio: Transforming Government into a 21st Century Institution*, a report recommending productivity-related improvements to state government in an effort to improve outcomes, reduce the price of government, and enhance Ohio's economic development performance. The report, the culmination of a detailed, year-long research

As such, the state of Ohio must ensure it has sound, reasonable and responsible fiscal and operational policies in place to maintain stability and accelerate economic growth.

In 2010, Ohio faced a fiscal crisis that had come about over a long period of time. It was a crisis that exacerbated existing structural budget imbalances and, as fiscal pressures often do, generated demands for balanced budgets and more efficient and effective government.

Governor John Kasich introduced his first executive budget proposal in February 2011. The proposal reflected many of the *Redesigning Ohio* recommendations and sought to eliminate the budget gap through five primary strategies: (1) targeted cuts; (2) reductions in local aid; (3) reorganization of state agencies; (4) privatization; and (5) layoffs of state government employees.

After months of public debate and discussion, a balanced FY 2012-2013 state operating budget was passed; it included the following key components:

- Maintained previously enacted tax reforms while raising no new or existing taxes and eliminating Ohio's estate tax;
- No use or replacement of one-time federal stimulus funds;
- Reformed and refinanced Medicaid;
- Used responsibly conservative revenue estimates and an all-funds approach to re-balancing the General Revenue Fund (GRF); and

“ . . . the state of Ohio must ensure that it has sound, reasonable and responsible fiscal and operational policies in place to maintain stability and accelerate economic growth.”

and analysis effort, was in direct response to the estimated \$6-8 billion structural budget deficit facing the state of Ohio.

This 2012 progress report identifies substantial advancements toward the policy goals outlined in the original 2010 *Redesigning Ohio* report and recommends next steps. State government and the services it provides are important.

- Reduced state revenue sharing with local governments as part of a broader strategy to reform and improve local government operations. This included an important commitment to and funding for more innovative practices, including the greater use of shared services.

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Budgetary change also resulted in a reduction in the number of state employees. Excluding education and hospital employment, in December 2010 state government employment totaled 59,300. By December 2012, this number had dropped to 53,800, a 9.2 percent reduction. Decreases in employment have also been realized in local government. Excluding education and hospital employment in December 2010, local government employment totaled 263,100 and, in December 2012, that number had dropped to 255,600, a 2.8 percent reduction.

Part of the good news for the 2010-2012 period is a reduction in the Ohio tax burden. This has helped Ohio be more competitive in attracting new businesses and creating more jobs. A new report by the Quantitative Economics and Statistics Practices (QUEST) of Ernst & Young in conjunction with the Council on State Taxation (COST) ranks Ohio third in the nation for friendliest tax environment in its 2011 study, Competitiveness of State and Local Business Taxes on New Investment.

These results have had a positive impact on the state's business climate. According to JobsOhio, more than 127,600 jobs have been created since January 2011. As has been the case historically, Ohio is a "headquarters" state, home to 59 Fortune 1,000 companies, 29 of which are in the Fortune 500. This places Ohio fifth in the nation for

the number of Fortune 500 company headquarters. This ranking is up from sixth in 2010 when 23 Fortune 500 companies were headquartered in the Buckeye State.

As for economic growth between 2010 and 2011, Ohio ranks 29th nationally according to a new report from On Numbers at Bizjournals.com. The report, using inflation-adjusted data from the U.S. Bureau of Economic Analysis, stated that Ohio's gross state product (GSP) climbed 1.08 percent between 2010 and 2011. In terms of overall size, Ohio's GSP totaled \$471 billion in 2010, ranking the state eighth in the nation and 22nd globally.

And there is more good news from Site Selection magazine: Ohio ranks #2 overall in Site Selection's 2012 Top State Business Climate Rankings.

Ohio is making considerable progress in achieving fiscal stability and reinvigorating its economy. Today, the state's two-year state operating budget is balanced and our state economy is improving. This includes the rebuilding of the state budget stabilization fund from essentially \$0 to over \$480 million. With this stability comes the ability to step back and focus more intently on operational productivity. The Kasich Administration and the Ohio General Assembly should keep the pressure on systemic improvements, while making smart investments in this essential work.

2013-2014 Redesigning Ohio Priorities

This progress report identifies substantial advancements toward the policy goals outlined in the 2010 *Redesigning Ohio* report. When combined with related state fiscal and economic stabilization, including balancing a projected \$6-\$8 billion FY 2012-2013 state budget shortfall without raising taxes, this progress provides a strong foundation for future state policy and program improvements.

With this in mind, the Metro Chambers and Ohio Chamber recommend an ongoing commitment to all of the *Redesigning Ohio* recommendations. However, we are particularly concerned that in the upcoming 2013-2014 session of the Ohio General Assembly and 2014-2015 state operating budget legislation that prioritization be given to the following policy recommendations. The primary rationale for this approach relates to the tremendous policy significance of these issues and the fact that the progress and fiscal stabilization to date gives the state greater ability to focus more intently on all of these matters.

1. Improve Local Government Operations. Improving the efficiency and effectiveness of local government operations, including a significant expansion of shared services among and between local political subdivisions and schools.

2. Civil Service Reform. Civil service reform, including a commitment to charter agencies. This approach will help state and local governments liberate their respective bureaucracies by empowering and incenting (through merit and pay for performance policies) employees to help elected officials turn rule-driven public agencies into results-focused enterprises exhibiting big leaps in productivity.

3. Tax Policy. Perform a careful, accurate analysis of Ohio tax expenditures to assure that these credits, deductions and exemptions are resulting in a stronger Ohio economy and a fairer system of taxation than would otherwise be the case if they were not in place. The chambers believe that tax expenditures should add to the state's economy. They should result in more revenue and jobs and, thus, should be considered an investment, not a cost. Each tax expenditure should stand on its own and be evaluated by using a dynamic analysis, one that looks to the future benefit as well as the current cost.

4. Health Care Reform. Maintain a laser-like focus on improving health care outcomes and related costs. Medicaid is the largest, fastest growing portion of the state General Revenue Fund budget. Governor Kasich and the General Assembly have made tremendous progress stabilizing the program, in part by focusing on better ways to improve patient outcomes, which is the best way to bend the health care cost curve. We applaud these initial efforts but believe that the complex challenges of health care, including implementation of the federal Affordable Care Act, require that the state's efforts in this area remain a leading priority.

5. Education Improvement. Ohio cannot succeed economically or otherwise without a high quality system of public primary and secondary education. The Metro Chambers and the Ohio Chamber of Commerce remain fully committed to education improvement, including a better, more productive way to fund Ohio schools. The public policy redesign philosophy at the heart of *Redesigning Ohio* can be used very effectively in the public education arena, and we encourage its usage as public education reform evolves in Ohio.

1

Budgeting for Outcomes

A new budgeting process that has been used with success elsewhere

INITIAL RECOMMENDATIONS:

As state government leaders struggle to meet impossible demands, they should consider how system redesign applies to the budget process itself. One such approach, which has been employed by several states and another 20 cities, counties, and school districts, is known as Budgeting for Outcomes (BFO). Rather than making incremental changes to the status quo, Budgeting for Outcomes focuses on what matters most: purchasing outcomes that citizens value most. Programs that don't contribute much to those outcomes are no longer included in the budget.

SPECIFIC RECOMMENDATIONS INCLUDED:

- Adopt Budgeting for Outcomes in three phases:
 1. Office of Budget and Management (OBM) works with the Governor and agency leaders to designate leading agency outcome goals and rank major state programs, from most to least cost-effective.
 2. OBM leads inclusive effort to develop program performance measures for each major state program.
 3. Fully implement Budgeting for Outcomes in future budget (FY 2014-2015), which will include broader stakeholder outreach efforts designed to inform the budget development and budget prioritization process.
- Set aside \$20-\$40 million in existing resources for a new State Innovation Fund for investment in system reform, redesign and system capacity building.

STATUS:

Redesigning Ohio was released in December 2010, just weeks after the election of John Kasich as Governor. The first order of business for any new Governor is the introduction of an operating budget. We recognize that dramatic change in both process and content is a daunting challenge and we appreciate the fact that the Kasich Administration's first budget contained important policy changes, many of which are consistent with recommendations in *Redesigning Ohio*. Further, the Governor introduced an interim budget in 2012, known as the Mid-biennium Budget Review (MBR). This process allowed the Administration and the General Assembly to consider additional changes to the budget and policies. In effect, it led to changes that may have resulted from a BFO process had that process been used. However, a more comprehensive BFO process would result in even more innovation and efficiency.

Our second recommendation, the establishment of a State Innovation Fund for investment in system reform and capacity building, has not been adopted. We applaud the creation of the Local Government Innovation Fund. It is an example of the success that can be achieved by providing incentives, but it is dedicated exclusively for use by local government. A State Innovation Fund, as recommended in our initial report, would provide the incentive for state agencies to implement BFO and other processes identified in *Redesigning Ohio* as well as those that may evolve internally or from other sources. Funding for one-time start-up costs are needed for changes of this scope.

“Regardless of which program is used to develop a budget, it is critically important that it be clear, accessible and transparent. Processes that allow the public and other stakeholders to examine the budget and offer input will result in more awareness and innovation.”

NEXT STEPS:

While we recognize that important policy changes have resulted from the 2012-2013 state budget and the MBR, we continue to advocate for the adoption of Budgeting for Outcomes. By piloting BFO in one agency, for example, comparisons could be made and processes could be improved. Since BFO includes the direct participation of citizens, it would allow for even greater innovation. Such input would be consistent with Governor Kasich's "Common Sense Initiative" (CSI), which asks customers to identify regulations that do not add value and/or add unnecessary costs. And while CSI has gained wide support, it is applied to the process after the budget is implemented. To have the greatest impact, improved practices should be adopted from the beginning – at the time budgets are developed. BFO allows for this level of input.

Regardless of which process is used to develop a budget, it is crucially important that it be clear, accessible and transparent. Processes that allow the public and other stakeholders to examine the budget and offer input will result in more awareness and innovation. Currently,

the process is cumbersome and difficult to understand, especially for the public. More transparency and accessibility will engender trust in the process and participation from citizens.

As noted above, the creation of the Local Government Innovation Fund has proven that investments in such incentive programs work. (See page 22 for more detail.) We urge the Governor and General Assembly to consider setting aside \$20-\$40 million for investment in state government system reform and capacity building. To achieve maximum results, incentives should be closely tied to projects and programs that help transition state departments and agencies toward a more efficient operation—change that is sustainable.

Ohio leaders must take meaningful steps to build performance measures into the budget. Ohio is one of the few states with no performance measures built into the budgeting process. Doing so will help decision-makers and the public to understand the relative status of programs and the results that are achieved with taxpayer funding.

2

Charter Agencies **Offering the Potential for** **More Accountability and Lower Costs**

INITIAL RECOMMENDATIONS:

Charter Agencies pioneer a new bureaucracy-busting "deal." They volunteer to deliver measurable improvements in results and to contribute savings and/or new revenues to the state. In exchange, the state exempts them from many bureaucratic rules and requirements. Value for Ohioans becomes more important than rules.

SPECIFIC RECOMMENDATIONS INCLUDED:

- Enact legislation or issue an executive order to allow the governor and his cabinet members to negotiate charter agency agreements.
- Negotiate biennial written agreements that specify needed management flexibilities, expected reforms and performance targets that will lower costs and improve outcomes.

STATUS:

The Kasich Administration and General Assembly advanced the Charter Agency concept with the first piece of legislation enacted by the 129th General Assembly. House Bill 1 created JobsOhio. As the state's economic development agency, JobsOhio clearly reflects the philosophy behind charter agencies. By partially privatizing economic development attraction and retention efforts, JobsOhio has been relieved of many of the rigid rules that focus more on how government does things than on the results it produces. The JobsOhio dashboard of metrics, including the total number of projects, new jobs committed, jobs retained, total jobs payroll, and capital investment, have all increased over the previous calendar year. These results provide compelling evidence that moving at the "speed of business" is a goal that can and has been achieved simply by removing

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bureaucratic requirements, providing greater management flexibility, and focusing on results. The JobsOhio approach is helping to improve Ohio's business climate, which ranked second in the nation in the November 2012 issue of Site Selection Magazine.

Another attempt at implementing the Charter Agency concept occurred when the 2012-2013 state operating budget gave the chancellor of the Ohio Board of Regents the authority to develop a plan for designating public institutions of higher education as charter, or enterprise universities. In August of 2011 Chancellor Jim Petro proposed a new operating model for higher education in a plan that would allow Ohio's 14 public universities to be free from mandates which stifle efficiency and innovation. The detailed Enterprise University Plan provided for a two phase approach that would build upon the state budget's construction reforms, expansion of commercialization,

effective short and long term goals to create a system that is demand-driven, adaptive to rapid change, innovative in design and delivery, entrepreneurial in spirit, and responsive to the needs of employers, workers and job seekers.

NEXT STEPS:

- There is compelling evidence that Charter Agencies can improve performance and deliver measurable results. In fact, in 2005 the Ohio Housing Finance Agency was moved from a division of state government to an independent or charter state agency. We urge the Kasich Administration to consider how other state departments and agencies could fulfill their missions in less costly and more effective ways. We recommend that a charter agency agreement be negotiated with at least one existing state department or agency as a pilot project. This initiative could then be a model for other state agencies in the future.

“. . . moving at the ‘speed of business’ is a goal that can and has been achieved simply by removing bureaucratic requirements, providing greater management flexibility, and focusing on results.”

and lease-back agreements aimed at helping universities realize cost savings. Unfortunately, the detailed plan was not introduced during the 129th General Assembly and remains stalled because of differences among stakeholders.

Another new initiative that embodies the philosophy of Charter Agencies is the Governor's Office of Workforce Transformation. Formed by way of an Executive Order issued in February 2012, this office was created to coordinate and align workforce policies, programs and resources across state government to improve effectiveness, efficiency and accountability. The goals of the office and the Governor's Executive Workforce Board are to provide strong leadership and

- Collaboration between the state's higher education institutions and government on future funding models should continue to explore incorporation of the principals underlying the Enterprise University Plan.

- As the Office of Workforce Transformation evolves, we believe the underlying philosophy of charter agencies can help ensure the most effective deployment of state and federal resources currently used and allocated by separate Cabinet Agencies, Boards and Commissions through a single, unified workforce development budget and agency.

3

Entrepreneurial Management Ohio Should Expose its Internal Support Services to External Competition

INITIAL RECOMMENDATIONS:

Entrepreneurial Management is a strategy for getting more bang for your buck from internal support services. It withdraws appropriations from some internal service organizations, forcing them to earn their revenue by selling their services to other agencies, often in competition with private providers. Suddenly, survival depends on how well they please their customers and at what price. Significant savings could result.

SPECIFIC RECOMMENDATIONS INCLUDED:

- Reorganize internal support services such as printing, information technology, vehicle/fleet management, and facility management as competitive enterprises that have flexibility to operate like businesses competing for work with both public and private sector providers.
- With utility services (internal services that should be monopolies, like telecommunications), place money in the hands of the customer agencies and give them seats on a customer council. This council would have the power to set rates and approve investment plans in order to improve the value equation.
- Create a public agency customer council to improve the price/value ratio primarily through collaborative efforts to improve purchasing outcomes.

However, we would be remiss in not highlighting some of the other innovative efficiency strategies that are being successfully utilized to achieve better results at a lower cost to taxpayers.

The Office of Efficiency and Results within the Department of Administrative Services has been empowered to create LeanOhio. The mission of LeanOhio is to bring major improvements to state government in ways that engage employees, benefit customers and save money. As a result, efficiency is taking on a new meaning in state government. People are teaming up to streamline and simplify their work processes, cut red tape, save money, and deliver quality services in a cost-effective way. They're getting it done with continuous improvements processes that have already proven effective in the private sector, like Kaizen and Six Sigma. This "Lean" approach focuses agencies on their critical priorities and core processes. It involves and engages an agency's workforce so change is made by employees, not to them.

To date, the results are showing significant savings, both in cost and time needed to accomplish key tasks. In 2011 the state hosted 11 major Kaizen events within eight state departments/agencies that saved more than \$1.2 million, reduced backlogs by 99 percent, and required 48 percent fewer process steps, 42 percent fewer handoffs, 59 percent

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STATUS:

In its truest sense, an entrepreneurial services strategy has not been implemented. Therefore, we continue to advocate for allowing the state's internal service organizations to earn their revenue by selling their services to other state departments and agencies in competition with private providers.

fewer decision points and eliminated 22 redundant processes. For every \$1 invested in a Kaizen event, the state is gaining \$13.25 in savings.

The Tax Appeals and Compliance process in the Ohio Department of Taxation is an excellent example of the results that can be achieved through a Kaizen event.

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In this case, the appeal wait time was reduced from 100 to eight days, reducing the backlog by 97 percent and the work time for 5,400 cases by 93 percent. Labor costs were reduced by \$529,000 and \$63,000 in savings was realized from automation. This directly impacts and improves the “cost of doing business” in the state of Ohio.

The Department of Administrative Services is also leading an effort to break down the internal silos of department and agency operations. The first effort undertaken has unified more than 10 e-mail operating systems into one central system.

Finally, in 2011, the General Assembly passed Senate Bill 4 requiring the State Auditor to conduct at least four performance audits per biennium on state agencies. The bill also created the Leverage for Efficiency Performance (LEAP) fund to make loans to state agencies and local governments to pay the cost of a performance audit.

Performance audits are invaluable management tools that enhance government accountability and improve efficiency and effectiveness. In FY 2012, Auditor Dave Yost’s office identified \$22 million in potential savings for Ohio’s governments and schools districts through performance audits. The four state agencies selected for performance

audits in accordance with Senate Bill 4 were the Departments of Transportation, Education, and Job and Family Services, and the Housing Finance Agency. The first two interim reports reviewing the Department of Transportation found \$6,800,000 in potential savings.

NEXT STEPS:

- We applaud the steps that have been taken within several state departments and agencies to improve operational efficiencies. We encourage every state department and agency to implement LeanOhio initiatives to improve cost efficiencies and provide exceptional customer service to the citizens and businesses in the state of Ohio.
- We also applaud the outstanding work being done by the State Auditor to help government agencies identify where they can improve their performance. We encourage further expansion of these efforts.
- As innovative management practices are used to achieve process improvements and cost savings associated with interdepartmental and interagency collaboration, we strongly believe the entrepreneurial management strategy should be implemented within internal services organizations. It is a natural extension of much of the work already being done.

4

Government Regulations Improved Business Regulations Will Streamline Government and Save Money

INITIAL RECOMMENDATIONS:

Command-and-control regulation is a well-established tradition, but it is extremely expensive, both in dollars the state spends and in goodwill the state squanders among those regulated. By adopting several strategies to boost voluntary compliance, the state could maximize regulatory benefits and tax revenues, while reducing the compliance burdens even further.

SPECIFIC RECOMMENDATIONS INCLUDED:

- Build support for rules and standards by involving compliers in their creation
- Make regulations performance-based
- Educate compliers on what is expected of them
- Make compliance easy
- Make the quality of agency services to compliers consequential

- Report compliance information
- Treat different compliers differently
- Create a continuum of public consequences and rewards
- Create market incentives to encourage compliance

STATUS:

The Governor established the Common Sense Initiative (CSI) on January 10, 2011, through Executive Order 2011-01K and tapped Lt. Gov. Mary Taylor to lead the new initiative. CSI is a process for independently evaluating the economic impact of state agency regulations on Ohio businesses. As such, it is clearly aligned with many of the concepts and recommendations included in *Redesigning Ohio*. CSI recognizes that while regulations play an important role in promoting fair competition and protecting the public, they also facilitate economic growth. Consequently, CSI is working to ensure that Ohio’s regulatory process is

“ . . . the underlying philosophy described in *Redesigning Ohio* is producing real results and helping to change perceptions about our state’s regulatory process.”

built on the foundations of transparency, accountability, and performance and that its priority is compliance, not punishment.

Another key component of CSI’s work was added with the passage of Senate Bill 2 in early 2011. It established the Ohio Small Business Advisory Council to advise Lt. Gov. Taylor and CSI on the business impacts of new laws and regulations. The Council is now operational and is successfully serving its intended purpose.

The work of the CSI office is guided by a strategic plan and the office issues reports on its accomplishments twice each year. The results reported in the most recent mid-year report on CSI’s activities are impressive. During the first half of 2012, CSI reviewed 52 rule packages containing a total of 529 rules and issued recommendations for 18 of those rule packages. To date, no state agency has refused to accept and implement CSI’s recommendations. As a result, 249 rules that impacted businesses were either rescinded or amended through the CSI process during the first six months of 2012.

CSI, with assistance from the Ohio Small Business Advisory Council, also seeks input from businesses about regulations that directly impact their ability to operate, grow and create

jobs in Ohio. CSI often serves an ombudsman function to help businesses navigate the state bureaucracy. This has produced a number of success stories.

Many of the regulatory initiatives recommended in *Redesigning Ohio* have been implemented through the work of CSI. But, even more importantly, the underlying philosophy described in *Redesigning Ohio* is producing real results and helping to change perceptions about our state’s regulatory process.

NEXT STEPS:

The state should continue the hugely successful work being accomplished by CSI with an added emphasis on “Voluntary Compliance” processes. The “Voluntary Compliance” approach aims to maximize regulatory benefits and tax revenues while further reducing compliance costs for businesses. This would be a natural progression building on the many successes already achieved by CSI.

5

Tax Expenditures

Review the Effectiveness of State Tax Credits, Exemptions, and Deductions

INITIAL RECOMMENDATIONS:

Ohio has 128 distinct state tax expenditures—tax credits, exemptions and deductions—that amount to \$7.7 billion (FY 2008) of foregone revenue annually, with no formal review process to ensure that they are meeting their intended policy outcomes. Ohio should implement a comprehensive Tax Expenditure Review to regularly examine these expenditures. It should be used in the development of the state’s biennial operating budget.

SPECIFIC RECOMMENDATIONS INCLUDED:

- Utilize tax policy principles such as neutrality, economic competitiveness, stability, equity, and simplicity to conduct a review and cost-benefit analysis of all 122 tax expenditures and use the results to inform the FY 2012-2013 budget development process.
- Use both a static and dynamic analysis of the costs and benefits of each expenditure.
- Improve the quality and scope of Ohio’s biennial Tax Expenditure Report.

STATUS:

At this writing, it is our understanding that the Kasich Administration has begun an intense process of reviewing all taxes and tax expenditures with an eye toward the introduction of a tax reform proposal that would be

Additionally, both the House and Senate held hearings to review the state’s current tax expenditure process. The House concluded a series of six hearings in which various parties provided input. The committee is reviewing recommendations and will be issuing a report of its findings by year-end.

The Senate Ways & Means and Economic Development Committees also held hearings, but with a more academic approach. The Senate hearings offered an additional opportunity for legislators and the general public to understand how tax expenditures work, why they have been used, and more importantly, to review their impact on the economy. Although Chairman Schaffer has indicated that legislative recommendations were not part of their initial objective, he remains open to those brought forward by individual Committee members.

Since the publication of *Redesigning Ohio* the General Assembly has acted on a handful of tax expenditures, but there has not been an effort to review all tax expenditures in a proactive manner.

- Senate Bill 331 increased the Motion Picture Tax Credit to \$40 million.
- House Bill 511 made changes to the investment tax credit and venture capital local loss tax credit.

“Evidence-based decisions help ensure that there is enough money for critical services and that we don’t miss opportunities to support business investment and create jobs.”

targeted toward a reduction (and eventual elimination) of the personal income tax. However, the Department of Taxation relies on static tax analyses that offer only an opportunity to consider the cost of a particular tax expenditure at a particular moment in time.

- House Bill 327 extended job creation tax credits to employees of home-based employers.
- House Bill 58 authorized a refundable job retention tax credit (American Greetings and Diebold).

NEXT STEPS:

We applaud the work of the Kasich Administration and General Assembly in beginning to examine existing tax expenditures. Throughout *Redesigning Ohio* we emphasized the importance of basing funding decisions on evidence that supports the best return for dollars spent. Evidence-based decisions help ensure that there is enough money for critical services and that we don't miss opportunities to support business investment and create jobs.

Following a full analysis, we strongly believe that many tax expenditures will prove to be valuable incentives that attract business investment and help grow Ohio's economy. That is why we oppose automatically sun-setting tax expenditures. Such an approach would create a highly unpredictable business environment with potentially undesirable results. Nonetheless, we remain committed to working with the Administration and legislature to establish a process for reviewing tax expenditures that is transparent, utilizes both static and dynamic analysis, assesses both the costs and benefits, and produces fair results that help grow Ohio's economy.

We repeat our recommendations from *Redesigning Ohio*, specifically calling for:

- The establishment of a robust and public tax expenditure review process, implemented at regular intervals. This should include revising the Tax Expenditure Report released with the biennial budget proposal to include more relevant information on each tax expenditure and its impact.
- Use of both static and dynamic analyses of the costs and benefits of each tax expenditure.
- Development of a process to authorize a new tax expenditure that includes:
 - Determining the desired policy result;
 - Assigning performance measures;
 - Reviewing the results prior to reauthorizing.

6

Civil Service System

Ohio needs to liberate its bureaucracies and empower its managers.

INITIAL RECOMMENDATIONS:

Productivity improvement is the path forward for state and local government during a period of intense change, but it requires an authentic partnership with governments' most important resource: their employees. In order to move from rule- to results-oriented public organizations, Ohio needs to liberate its bureaucracies. Managers must have the freedom to manage their staffs and invest in building the skills and capacities of employees.

SPECIFIC RECOMMENDATIONS INCLUDED:

- Give managers more freedom to manage their employees.
- Shift to broad job classifications and use market-based employee compensation studies, updated regularly, to create broad and competitive pay bands.
- Limit compensation increases beyond these pay bands to performance-based bonuses; eliminate automatic pay raises via steps and longevity pay.
- Invest in building employees' skills and capacities.

STATUS:

Many of *Redesigning Ohio's* civil service system recommendations were enacted in Senate Bill 5, a bill that broadly reformed Ohio's collective bargaining process. However, these recommendations were swept aside along with the broader collective bargaining reforms when Ohio voters rejected the bill in a referendum placed on the November 2011 ballot.

Another try at enacting reforms similar to those recommended in *Redesigning Ohio* but limited to educational institutions, occurred in the 2012-2013 state operating budget. Amendments to the original language, however, limited its applicability and made the reforms ineffective.

Finally, in early 2012 the type of reforms recommended in *Redesigning Ohio* were included in House Bill 525, legislation that enacted the Cleveland School Plan.

Linking compensation to performance: This recommendation received attention for one segment of public employees – teachers. While some reform measures for teachers were included in the FY 2012-2013 biennial budget (HB 153), they stopped short of creating real reform. Specifically, provisions connecting teacher pay to performance were

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included but were limited to schools that receive Race to the Top funding, encompassing only about half of the state's public schools. Additionally, these measures will end when Race to the Top funding expires. A statewide teacher evaluation system was also adopted in the budget. This represents a significant step forward in philosophy, but performance is still not tied to teacher pay.

Another more successful attempt at linking teacher compensation to performance was included in the Cleveland School Plan (House Bill 525) that eliminated seniority as a sole compensation factor. Additionally, it included merit and performance pay in the compensation formula for Cleveland school teachers.

Redesigning Ohio originally focused on the employees of state government, but a majority of the *Redesigning Ohio* partners came to believe that the civil service principles in *Redesigning Ohio* should be applied to public employees at all levels of government. Therefore, we urge our government leaders to continue to make this a priority—seeking ways, at every level of government, to create a more efficient and effective workforce.

Changes included in the Cleveland School Reform Plan should be viewed as a potential model for similar reforms in other school districts and in other governmental institutions. A 24-month analysis and economic impact study of the Cleveland School Reform Plan will provide the data needed

“In today’s period of rapid structural change in our public sector, institutions must prepare to become change leaders.”

Teacher hiring practices: The Cleveland School Plan (HB 525) gives more hiring decisions to direct supervisors (principals) and creates hiring committees.

Investing in building the skills and capacities of employees: This reform remains an important goal, but it has not yet been addressed by the General Assembly or by individual state agencies.

NEXT STEPS:

The ability to turn rule-driven public agencies into results-focused enterprises is largely dependent upon empowering managers and incenting employees through merit and pay for performance policies. In today’s period of rapid structural change in our public sector, institutions must prepare to become change leaders. This means they need a more productive workforce environment anchored in accountability and employee empowerment, all of which requires transformational civil service changes. In this area,

to determine the best way to proceed with reforms in other areas, or state-wide. It is important to recognize, however, that Cleveland’s success, to date, was built on consensus among a broad group of stakeholders. Future actions should recognize the differences that exist among our state’s school districts and the importance of forging consensus around specific reforms.

Increased investments in building the skill levels of public employees must remain a priority that receives serious consideration. By investing in training dollars, we can expand the knowledge and skill base of our public employees. This helps increase efficiency and innovation and also reduces workforce turnover. These practices should be seriously considered in 2014.



Public Employee Pensions

Investing in Government’s Most Important Resource

INITIAL RECOMMENDATIONS

Ohio’s public entities need to attract, retain and invest in their most important resource: the people who work in state and local government and in the state’s public colleges and universities. Market-based reforms should ensure that Ohio has a competitive, highly effective pension and benefits system.

SPECIFIC RECOMMENDATIONS INCLUDED

- Require a shared 50-50 employer/employee contribution for state pensions and retiree health insurance.
- Fund remaining shortfall in pension and retiree health insurance benefits from increased employee contributions, not from taxpayer funds.
- Require uniformity in the percentage of health insurance costs paid by old and new retirees.
- Limit “double dipping” to extraordinary, high-need situations.
- Reduce the number of state pension systems to capture administrative savings.

STATUS

In September 2012, the legislature passed a package of bills (Senate Bills 340, 341, 342, 343 and 345) to shore up Ohio’s five public pension funds and ensure their solvency. Among

other things these bills increased some employee premiums, lowered payouts, and tightened some eligibility requirements. We commend the legislature for taking an important first step in ensuring the solvency of public employee pension funds by enacting these reforms.

NEXT STEPS

Continued monitoring of the solvency of public employee pension plans is critical to ensure that the reforms recently enacted are delivering their projected results. Further reforms should also be considered, similar to those recommended in *Redesigning Ohio*. For example, “Double dipping” in the public sector continues to cost taxpayers thousands of dollars and reduces workforce opportunities for government workers, and the cost of health care benefits for retirees continues to mount.

Additionally, we encourage the Administration and General Assembly to review the impact of the five recently passed pension reform bills and consider changes that may be needed to improve, increase efficiencies and allow for ease of implementation. These reforms should be considered early in 130th General Assembly to minimize the impact on the members of the pension systems and the administrators of the five pension systems.



Health Care Costs

Reducing Costs and Improving Outcomes

INITIAL RECOMMENDATIONS:

Recently enacted federal health care reforms created both challenges and opportunities for states. Regardless of how these changes are viewed, it is incumbent upon Ohio to consider how to meet the law’s goal of increased access to coverage, as well as the best strategies to lower costs and improve outcomes. It is clear that a market-driven approach can achieve the best results.

SPECIFIC RECOMMENDATIONS

- Drive health care costs down and improve patient outcomes by using the state’s leverage as a large purchaser to move toward new reimbursement methods, including “global payment” models. Reward providers for keeping patients healthier; pay for results and not simply service outcome.

- Support, through incentives and other means, the creation of Accountable Care Organizations and other innovative programs to deliver care.

- Improve transparency and access to price and quality data from health-care providers and health plans by utilizing websites and other communication vehicles that enable purchasers to be informed about the most cost-effective options.

STATUS

Upon taking office, Governor Kasich created the Office of Health Transformation (OHT) to accelerate implementation of cost-containment measures in the operating budget (HB153) and to coordinate the activities and policies of the six state agencies involved in Medicaid.

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“The state streamlined the administration and operation of the program that facilitates health care for more than 2.2 million individuals and is the largest healthcare payer in the state.”

The OHT developed a complex Ohio Health Services Transformation Framework aimed at modernizing Medicaid, streamlining health and human services and improving health system performance. The framework identifies initiatives that will be advanced through the end of 2013 and specific priorities for the 2014-2015 operating budget proposal currently under development. In July 2012, the Kasich Administration announced that Medicaid would be elevated to a state agency in the upcoming budget process as a way to control Medicaid costs emanating from many state departments.

Health care costs: Over the biennium, state leaders made substantial changes to the operation of Medicaid. The state streamlined the administration and operation of the program that facilitates health care for more than 2.2 million individuals and is the largest healthcare payer in the state. The state re-bid of Medicaid managed care contracts is enhancing performance standards within the industry. The state is requiring managed care organizations to expand incentives to healthcare providers based on quality and health outcomes.

Accountable Care Organizations: The 2012-2013 state budget provides incentives for the creation of Accountable Care Organizations (ACOs) in Ohio. An ACO is a group of healthcare providers that are assuming financial risk for the quality and costs associated with providing health care to a class of beneficiaries. Linking the patient and provider incentive is expected to drive costs down and improve quality. In the 2012-2013 budget, the state invested \$87 million to encourage the creation of pediatric ACOs. This pilot program is assisting 37,000 disabled Medicaid children in Ohio.

Improve transparency and access to price: The state has not yet broadened access to price and health care quality data.

NEXT STEPS:

We commend the Kasich Administration for the crucial and difficult steps taken to date. Much of the work of the OHT has been reforming and transforming internal reporting structures and processes prior to initiating additional activities for the next operating budget that must be supported.

The OHT is developing a commendable track record. So far this fiscal year, Medicaid spending has increased by just 2 percent over last year even though it was projected to grow by 4.4 percent. Maintaining this momentum will be a significant challenge. But, Medicaid continues to be the largest, fastest growing portion of the state budget, thus continued focus on stabilizing the cost of the program and better ways to improve patient outcomes is critically important. Also, as it responds to the federal Affordable Care Act, the state must make sure that recent reforms aren't eroded and future cost-saving initiatives can be implemented.

We hope that additional examples will be provided in the 2014-2015 budget proposal that move payment toward new healthcare reimbursement methods, including a “global payment” model. Also, maintaining a competitive health insurance marketplace is critically important. This marketplace must allow access for regional health plans that have used market practices to hold down costs. Finally, additional steps must be taken by the state to improve transparency and access to price and quality data.

9

Criminal Justice System Ohio must spend less on prisons and focus on more effective outcomes

INITIAL RECOMMENDATIONS:

Ohio's criminal justice system is underperforming. It costs too much and outcomes are inadequate. It is time to ask a fundamental question. Would public safety, prisoner rehabilitation, recidivism and costs be improved if Ohio directed more nonviolent offenders away from adult prisons toward nonresidential community-based monitoring and treatment? The answer is yes.

SPECIFIC RECOMMENDATIONS INCLUDED:

- Continue the commitment to remove violent offenders from society for extended periods of time.
- Direct most low-risk, non violent (and non sexual) felony 4 and 5 offenders to supervised release in nonresidential community-based correctional options.
- Revise criminal sentencing laws to include limited expansions of earned credit for prisoners to better protect the public, improve offender outcomes, and reduce taxpayer costs.
- Make investments in the management of probation and parole, including greater use of evidence-based offender risk assessment instruments, GPS monitoring and random drug testing.
- Analyze the cost-effectiveness of selling or leasing public prisons and other assets.
- Provide better education, training and treatment services.

STATUS:

Like Medicaid, Ohio's criminal justice system has represented a large and growing portion of the state budget. State spending on the Department of Rehabilitation and Correction rose from \$432.8 million in 1990 to \$1.58 billion in 2010, an increase of 246 percent. That's why *Redesigning Ohio* declared that "Ohio's criminal justice system is underperforming. It costs too much and the outcomes are inadequate."

The criminal justice system reforms advanced in *Redesigning Ohio* were based on growing consensus within the correctional policy community that the new way forward should be to reduce prison spending and use these resources more effectively by investing in education, workforce training and mental health and substance abuse treatment. And, that's exactly what Governor Kasich and the General Assembly did when they passed House Bill 86 in 2011.

House Bill 86 included many criminal justice reforms that were also outlined in *Redesigning Ohio*. Its passage and implementation represents a major success.

Remove violent offenders from society and direct most low-risk, nonviolent offenders to supervised release:

Judges are required, under certain circumstances, to sentence first-time, nonviolent Felony 4 and 5 offenders to probation and appropriate treatment alternatives. Eligibility for treatment in lieu of conviction is expanded to persons charged with specified theft and other offenses. Additionally, low-level drug traffickers and Felony 4 drug possession offenders are eligible for such treatment.

Revise criminal sentencing laws: Earned credit is increased from one to five days per month for certain offenders, but all sex offenders and most Felony 1 and 2 offenders are excluded from eligibility for expanded credits. Overall earned credit and/or program completion credit is capped at 8 percent. Program completion credits are directly connected to the completion of these programs and all changes are prospective. The Director of DRC can petition the sentencing court for judicial release of inmates who have a stated prison term longer than one year and have served at least 80 percent of their sentence. A jailer is required to reduce the person's sentence by the number of days the person was confined in a juvenile facility. "Illegal use or possession of drug paraphernalia" is revised from a fourth-degree misdemeanor (up to 30 days in jail) to a minor misdemeanor (no jail time).

Investment in the management of probation and parole:

Community supervision and treatment resources are now focused on high-risk offenders identified by a statewide risk assessment system. Administrative rules will define appropriate admissions to community corrections programs based upon the level of risk and/or felony level to insure that programs only admit those offenders who are best served and represent the greatest cost efficiency. Twenty million dollars will be reinvested over four years to improve felony probation supervision and incentivize lower prison commitments. Approximately, \$8.5 million has been granted to several counties over the biennium to make improvements to their programs to lower prison commitments. The remaining \$1.5 million will be allocated to these programs as rewards for achieving their performance objectives. Failure to make a significant achievement of the performance objectives will result in funding not being renewed in the following biennium.

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“House Bill 86 included many criminal justice reforms that were also outlined in Redesigning Ohio. Its passage and implementation represent a major success.”

Analyze the cost effectiveness of selling or leasing public

prisons: The Lake Erie Correctional Institution in Ashtabula was sold to Corrections Corporation of America for \$72.7 million. Marion County’s North Central Correctional Institution and Marion Juvenile Facility will be operated by Management and Training Corporation at 6 percent less costs, yielding \$3 million in annual savings. And North Coast Correctional Treatment Facility in Lorain merged with the Grafton Correctional Institution; both will be operated by the state, resulting in \$7 million in savings in 2011 alone. The total ownership and operational changes are expected to save \$13 million annually.

Provide better education, training, and treatment

services: Intervention in lieu of conviction is authorized for offenders whose mental illness or intellectual disability contributed to their offense. Additionally, external stakeholders are engaged in developing standards for the Justice Reinvestment Probation incentive grants and probation standards.

NEXT STEPS

Where necessary, legislative and regulatory initiatives aimed at achieving better outcomes and reducing costs should continue to be advanced. We also support the Road to Gainful Employment Workgroup on Collateral Sanctions. This group is looking at the various ramifications of collateral sanctions. Public hearings it held in 2012 supported enactment of Senate Bill 337, which creates a mechanism for issuing a certificate of qualification for employment to individuals subject to a collateral sanction. It will provide relief from certain bars on employment or occupational licensing. The legislation also grants immunity from negligent hiring claims to employers who hire an individual knowing he/she was issued a certificate of qualification for employment.

10

Local Government The State Should Encourage Local Governments to Enact Cost-Cutting Efficiencies

INITIAL RECOMMENDATIONS:

Ohio's local governments must become smarter, cheaper, and more effective. To get there, we need a productivity enhancing strategy that results in more public value, lower costs and fewer political subdivisions. This strategy should include a local government transformation planning process, new requirements to advance greater collaboration, and—where possible—consolidation of political subdivisions. Ohio should strike a new and better deal between state and local government: less funding for local government in the midst of a fiscal crisis and better results for the dollars invested.

SPECIFIC RECOMMENDATIONS INCLUDED:

- Encourage local government to implement Budgeting for Outcomes
- Create and implement county-led Local Government Service Coordination and Collaboration Plans.
- Advance planning work through Local Government Transformation grants funded from a State Innovation Fund.
- Strategically redirect the state's Local Government Fund toward buying better results by earmarking 15 percent of the fund in FY 2012 and 20 percent of the fund in FY 2013 for local government reform demonstration projects.
- Establish a new State & Local Government Transformation Authority to provide policy and technical support to local governments.
- Reduce or cap costly real property tax rollbacks.

STATUS:

We recognize that local governments and other jurisdictions, such as school districts, have made improvements during the past two years, but much more work remains ahead. As pointed out in *Redesigning Ohio*, over time we have created more than 3,700 political subdivisions. The very existence of so many governmental entities cries out for reform, collaboration and efficiency. As difficult as it may be at the local level, governments must search for ways to share services, reduce costs, and become more efficient. The eventual reduction in the number of governmental units should be the ultimate goal, but that will only happen over time as citizens become aware that collaboration will reduce cost without negatively impacting services.

Even as we continue to search for government efficiency and collaboration, it is critically important to recognize that there are examples across the state of local governments making needed changes. These efforts should be praised and encouraged. We also recognize that business practices cannot always be employed in the public sector without modification. Sometimes they simply cannot be implemented. Businesses can choose whatever endeavors it finds useful, efficient, and profitable. Government often cannot. It must offer certain services in vital areas, such as safety, fire protection, and code enforcement. And because government must answer to those who elected them, engaging citizens in finding sustainable solutions is critical. That said, just as is the private sector, innovation and efficiency are extremely important if true reform is to be realized.

Budgeting for Outcomes: In at least one local government, Boardman Township, Budgeting for Outcomes has been successfully implemented. The results have been measurable and the reaction of the citizens has been very positive.

Local Government Service Coordination and Collaboration Plans: Reforms that can be effectively led or coordinated at the county level have begun to take shape. In *Redesigning Ohio*, we recommended that Plans be required of counties, which has not occurred. Nevertheless, change is underway across the state. The state budget enacted in June 2011 provides authority to county commissions to require other county offices to use centralized services such as purchasing, transportation, vehicle maintenance, human resources, printing and mail operations. Independently elected officials will maintain the authority to carry out their core functions, while creating economies of scale for back-office administrative functions.

In Ohio's most populous county, Cuyahoga County, efforts to promote collaboration and efficiency have been implemented. Modeled after the Los Angeles area, the goal of this program is to eliminate duplication of costly services in the county's 57 municipalities. Covering a wide range of services, such as health insurance, phone support, sewer maintenance, and employee training, municipalities can contract with the County to purchase services. At least 10 cities have ordered one or more services and the list is growing. Recently, the City of Shaker Heights agreed to contract with the County for sewer maintenance services. Cuyahoga County is aggressively marketing the availability of this plan by producing brochures and establishing a website presence.

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Summit County and the city of Akron have merged health and building departments and police protection is now provided to a handful of communities.

Other examples include the establishment of a Joint Fuel Purchasing consortium in Trumbull County, where they have also merged the operation of 911 dispatching centers from eight to five and instituted a bulk purchasing plan through their Educational Service Center.

The Boardman-Austintown-Canfield Regional Storm Water and Water District was formed to deal with storm water issues regionally. Boardman and Austintown also jointly purchased communications equipment for its safety forces, saving thousands of dollars and creating a platform to merge their 911 centers.

The FY 2012-2013 state operating budget contained other measures that help achieve the goals of *Redesigning Ohio*. The legislation also:

- Integrates Education Service Centers, Information Technology Centers and various other regional programs of the Ohio Department of Education by July 1, 2012, into a single collection of Regional Shared Service Centers that can provide support services to both school districts and local governments.
- Orders the Department of Administrative Services to evaluate existing public health care purchasing consortia and pooling to determine additional best practices and identify what efficiencies have been gained through economies of scale. The department may develop regional

“We recognize that local governments and other jurisdictions, such as school districts, have made improvements during the past two years, but much more work remains ahead.”

Local Government Transformation grants : State leaders largely accepted this recommendation in establishing the Local Government Innovation Program, which includes \$45 million to stimulate collaboration among political jurisdictions through the new Local Government Innovation Fund. Up to 20 percent will be given in grants and the balance awarded in no-interest loans. All political subdivisions are eligible including counties, municipalities and townships as well as school districts.

Local governments across the state have embraced the Local Government Innovation Fund initiative. From the beginning, many communities applied for and received assistance for programs that create efficiency and encourage collaboration. Evidence shows that involvement is growing. In November 2012, the Ohio Development Services Agency, through the Local Government Innovation Council, approved more than \$2.7 million in grants and \$1.1 million in loans to Ohio communities for collaboration projects. More than 87 grant applications and three loan applications were received. They fell into nine distinct categories: technology, public safety, facilities, economic development, fleet management, public works, administration, health and human services, and educational instructional support.

pools of employees to allow local governments and schools a more efficient delivery system of quality health benefits.

Other legislation enacted during the past two years offer local governments the opportunity to become more efficient.

House Bill 487

- Creates an online clearinghouse of information, sample materials and tools for shared services. Through the use of this portal, local officials will have one stop access to the latest information about how they can increase their savings through collaboration.
- Removes a restriction limiting mergers and consolidations of county jobs and family service departments so any county can pursue this potential cost-saving measure.
- Allows the use of more internet publishing to replace or augment traditional printing.
- Clarifies the authority for local governments to use a new cost-saving, statewide public-notice website.
- Establishes an Emergency Services Internet Protocol Network Steering Committee to evaluate the state’s existing 911 system and make recommendations to the Governor and Legislature by November 15, 2012.

House Bill 509

- Allows a county auditor to serve as the fiscal officer for any department, office, or agency of the county. This could result in cost savings if counties are able to eliminate or leave vacant fiscal officer positions unfilled.
- Requires a county, township, municipal corporation, or school district under a fiscal watch or fiscal emergency to identify in its financial plan the actions to be taken to enter into shared services agreements with other political subdivisions, if they are so authorized by statute.
- Permits local health departments to go outside their traditional borders to share or contract with staff.
- Clarifies the flexibility for counties and townships to participate in regional health care pooling or maintain their own programs.

In June 2012, the Governor's Office of 21st Century Education, assisted by the Office of Budget and Management, released the "Beyond Boundaries: A Shared Services Action Plan for Ohio Schools and Governments." The report, which makes 10 recommendations for legislative changes to speed up shared opportunities among school districts and local government, highlighted the ideas and recommendations advanced by *Redesigning Ohio*. Throughout the state report, sections of *Redesigning Ohio* were quoted in making the state's point that it needs to ramp up a shared-services action plan for local governments and school districts.

The Ohio Auditor created a voluntary program at skinnyOhio.org. This program shares best practices in critical areas of government agencies where their performance audits have identified opportunities for potential savings. The auditor also is promoting performance audits for all local governments and will postpone payment for the audit until the local government can pay for the audit with real savings.

The state also has created a new online portal through which schools and local governments can engage in joint purchasing in order to lower their costs for many services and products that they currently must pay for individually.

Finally, MARCS, Ohio's computer and communications network designed to provide voice and data communication as well as a communications backbone to statewide public safety and emergency management, is moving to a shared services platform. The Ohio Department of Administrative Services, which oversees MARCS, has been authorized by the Ohio General Assembly to spend \$80 Million to upgrade the MARCS system to Project 25 standards and a 700/800 MHz platform. The system will be expanded to allow up to

128,000 radios to use the system. In short, all 1,337 local government radio systems can be replaced at the end of their life through the expansion. Joining MARCS can help offset expensive up-grades to end-of-life radio systems. According to a study by RCC Consultants, expansion of the MARCS system at a statewide level could yield over \$500 million in savings to ongoing capital and operating expenses for state and local governments between now and 2020.

NEXT STEPS:

The preceding examples highlight programs implemented across the state that have moved municipalities toward more efficient government by taking advantage of tools offered by Governor Kasich and the General Assembly. But more can and should be done. The Local Government Innovation Fund is an excellent example of the state providing true incentives to communities and local governments for sustainable reform. We support the continuation of the Fund and we are encouraged that grants and loans have enabled communities to build capacity and invest in their futures through efficiency and collaboration. State funding should not merely subsidize ongoing programs; rather, it should be used for strategic investments.

